

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY FRONTIER GAS
COMPANY, LLC FOR APPROVAL OF TRANSFER
OF AUXIER ROAD CORPORATION STOCK

)
)CASE NO. 2009-442
)

PETITION FOR TRANSFER OF STOCK

Kentucky Frontier Gas Company, LLC (Frontier), by counsel, petitions for an order approving the transfer of certain shares of Auxier Road Gas Company stock pursuant to KRS 278.020(5).

In support of its petition the following information is provided:

1. Auxier Road is a Kentucky corporation, with a mailing address of Box 785, Prestonsburg, KY 41653.
2. Auxier Road is operating as a natural gas utility pursuant to KRS Chapter 278;
3. Auxier Road is a privately held stock corporation. Its articles of incorporation were previously filed in Case No. 9318.
4. The stock of Auxier Road is owned by the following individuals:

<u>Shareholder</u>	<u>Number of Shares</u>	
<u>Percentage</u>		
Sallye Branham	942.86	94.3%
William D. Branham	57.14	5.7%
Total	1000.00	100%

5. Kentucky Frontier Gas, LLC is a Colorado company authorized to do

business in Kentucky. Its address is 4891 Independence St., Wheat Ridge CO 80033. Managing partners are Robert Oxford and Steven Shute. A copy of its articles organization and its certificate to operate in Kentucky were filed in Case No. 2008-00394. It owns and operates East Kentucky Gas (Floyd County Gas), Belfrey Gas, Alert Gas Farm Tap System, and Mike Little Gas Company pursuant to the order in Case No. 2008-00394 issued on November 25, 2008. Descriptions of its operating procedures, personnel and management qualifications were included in that application and are incorporated by reference.

6.. An agreement for the transfer of stock from Sallye Branham to Frontier is attached.

7. Pursuant to KRS 278.020, Frontier and Auxier Road request authorization to transfer the shares of Ms. Branham's stock and her controlling interest of Auxier Road to Frontier.

8. The transfer will have no effect on the ability of Auxier Road to continue to operate or finance the operations of its natural gas service in Kentucky. The present office and field personnel will remain in place. Frontier has adequate gas supply agreements to continue to purchase gas and to assure continued adequate supply. The transfer of stock will have no impact on the current financial, managerial or technical ability of either company to operate.

9. No rate change is being requested at this time. Frontier proposes to adopt the currently approved General Rates and tariffs of Auxier. Frontier anticipates these rates will stay in effect until consolidated with its other gas utilities.

10. Frontier has the technical, managerial and financial ability to operate Auxier as reflected in its current Kentucky gas operations. Its current financial

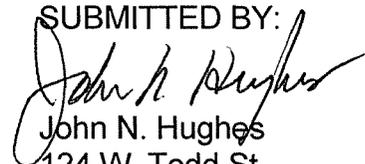
activities are reflected on the attached balance sheet and income statement.

11. The transfer of this stock is in accord with law, is in the public interest and is for a proper purpose.

Based on the information provided, Frontier has the managerial, technical and financial ability to continue to operate Auxier. It is in the public interest for this transfer of stock to be approved.

For these reasons, Frontier requests that the transfer be approved.

SUBMITTED BY:



John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
502-227-7270

Attorney for
Applicant

AFFIDAVIT

County of Floyd

Commonwealth of Kentucky

Affiant, Robert Oxford, after being sworn, states that he is President of Kentucky Frontier Gas, LLC and that the information contained in this Application is true and correct to the best of his knowledge

Robert Oxford
Robert Oxford

Sworn and subscribed before me by Robert Oxford, the day of November, 2009.

Margaret Beston
Notary Public

My commission expires: 10/25/2010



November 3, 2009

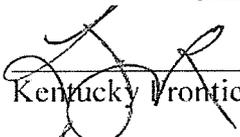
To: Auxier Road Gas Company

From: Kentucky Frontier Gas, LLC

Re: Term Sheet for the acquisition of the stock of Auxier Road Gas Company by Kentucky Frontier Gas, LLC or "Frontier":

1. Purchase Sallye Branham's stock for \$1,550,000 (94.29% of total outstanding shares)
2. Frontier will negotiate to purchase Billy Branham's stock (5.71% of total shares).
3. Assume Community Trust Bank note, at the current balance of the date of this agreement and not to exceed \$88,000.
4. Enter into a 5 year consulting contract with Sallye Branham for \$10,000 per year, for PR services, historical company information and activities, etc.
5. Lease office building, shop, and storage area behind shop for \$1,800 per month.
6. Frontier will offer Kimberly Crisp full time employment with the combined utility. Frontier will offer Susan Crum part time employment.
7. Sallye will continue to receive gas at her current residence at no charge for up to 15 years, at a volume not to exceed 80 dekatherms per year.
8. The terms of this proposal are subject to due diligence that will be performed by Frontier within 30 days of the acceptance of this proposal and will be more fully described in a Stock Purchase Agreement to be executed by all parties upon approval of transfer of stock by KPSC. Frontier will, upon the signing of this Term Sheet, immediately file an application with the KPSC for approval of the transfer of stock to Frontier.
9. Closing is expected to occur on or prior to December 31, 2009, and the Effective Date shall be December 1, 2009.

AGREED TO this 6 day of November, 2009.

By: 
Kentucky Frontier Gas, LLC

By: 
Sallye Branham

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 11/13/09
 Accrual Basis

Kentucky Frontier Gas, LLC
Balance Sheet
 As of November 13, 2009

Nov 13, 09

ASSETS	
Current Assets	
Checking/Savings	
131 · Cash - Bank Accounts	
131.1 · CityWide Bank Oper # 000980029	1,886.84
131.2 · Comm Trust Bank Oper 4002506337	2,406.41
131.3 · Comm Trust Payroll #4002507509	2,670.95
131.4 · Comm Trust Escrow #4002506345	175,430.03
131.5 · Comm Trust Mon Makt #4002540542	109,377.94
Total 131 · Cash - Bank Accounts	291,772.17
Total Checking/Savings	291,772.17
Accounts Receivable	
143 · Other Accounts Receivable	24,702.50
Total Accounts Receivable	24,702.50
Other Current Assets	
141 · Notes Receivable	33,524.86
173 · Organizational Account	
Start Up Costs	51,292.17
Total 173 · Organizational Account	51,292.17
Total Other Current Assets	84,817.03
Total Current Assets	401,291.70
Fixed Assets	
101 · Utility Plant	
General Plant Assets	
392.1 · Transportation Equipment	
1996 Ford F-150	5,300.00
2005 Toyota	12,500.00
Total 392.1 · Transportation Equipment	17,800.00
Total General Plant Assets	17,800.00
101.1 · East Kentucky Utility Plant	940,000.00
101.2 · Mike Little Gas Plant	
Columbia Gas Deposit	8,905.00
101.2 · Mike Little Gas Plant - Other	302,000.00
Total 101.2 · Mike Little Gas Plant	310,905.00
101.3 · Belfry Utility Plant	502,000.00
101.4 · Alert Farm Taps Utility Plant	250,000.00
Total 101 · Utility Plant	2,020,705.00
Total Fixed Assets	2,020,705.00
TOTAL ASSETS	2,421,996.70
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
232 · Accounts Payable	4,720.62
Total Accounts Payable	4,720.62
Other Current Liabilities	
223 · Notes Payable to Assoc Co - IGS	27,505.60
235 · Customer Deposits/Retainers	-1,646.44
236 · Payroll Liabilities	2,670.96
Total Other Current Liabilities	28,530.12
Total Current Liabilities	33,250.74
Long Term Liabilities	

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Kentucky Frontier Gas, LLC
Balance Sheet
As of November 13, 2009

	Nov 13, 09
224 · Long Term Liability	
224.1 · Community Trust Bank Loan	1,422,114.99
Total 224 · Long Term Liability	1,422,114.99
Total Long Term Liabilities	1,422,114.99
Total Liabilities	1,455,365.73
Equity	
211.1 · Partner One Equity - RJO	
208.1 · Partner One Investments	262,500.00
Total 211.1 · Partner One Equity - RJO	262,500.00
211.2 · Partner Two Equity - SS	
208.2 · Partner Two Investments	350,000.00
Total 211.2 · Partner Two Equity - SS	350,000.00
211.3 · Partner Three Equity - LR	
208.3 · Partner Three Investments	101,805.15
Total 211.3 · Partner Three Equity - LR	101,805.15
211.4 · Partner Four Equity - IGS	
208.4 · Partner Four Investments	87,500.00
Total 211.4 · Partner Four Equity - IGS	87,500.00
216 · Retained Earnings	-6,652.60
Net Income	171,478.42
Total Equity	966,630.97
TOTAL LIABILITIES & EQUITY	2,421,996.70

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 Accrual Basis

Kentucky Frontier Gas, LLC
Profit & Loss
 January 1 through November 13, 2009

	Jan 1 - Nov 13, 09
Income	
419 · Interest Income	2,722.87
480 · Residential Sales	1,466,685.45
481 · Commercial & Industrial Sales	22,175.59
Total Income	1,491,583.91
Cost of Goods Sold	
800 · Gas Supply Expenses	
804 · Natural Gas Purchases & Transp	846,584.52
Total 800 · Gas Supply Expenses	846,584.52
Total COGS	846,584.52
Gross Profit	644,999.39
Expense	
408 · Taxes Other Than Income Taxes	
408.1 · Payroll Taxes Expenses	10,229.02
408.2 · Sales Tax	
408.21 · Penalty	812.14
408.22 · Interest	0.00
408.2 · Sales Tax - Other	11,707.29
Total 408.2 · Sales Tax	12,519.43
408.3 · Property Tax	1,094.86
408 · Taxes Other Than Income Taxes - Other	1,589.77
Total 408 · Taxes Other Than Income Taxes	25,433.08
409 · Income Taxes	
409.3 · Other State Income Taxes	268.06
Total 409 · Income Taxes	268.06
427 · Interest on Long-Term Debt	46,462.37
66900 · Reconciliation Discrepancies	-32.54
870 · DISTRIBUTION EXPENSES	
871 · DISTRIBUTION OPERATION	
874 · Mains & Services Expenses	856.92
876 · Meas & Reg Station Exp - Indus	46.22
878 · Meter & House Regulator Exp	
878.2 · Uniforms	568.03
878 · Meter & House Regulator Exp - Other	17,834.20
Total 878 · Meter & House Regulator Exp	18,402.23
879 · Customer Installations Exp	1,081.49
880 · Other Expenses	1,352.35
881 · Rents	11,000.00
Total 871 · DISTRIBUTION OPERATION	32,739.21
884 · DISTRIBUTION MAINTENANCE	
887 · Maintenance of Mains	63,276.36
890 · Maint of Meas & Reg Sta Equ - I	10.00
892 · Maintenance of Services	21,578.09
893 · Maint of Meters & House Reg	1,541.30
894 · Maint of Other Equipment	1,050.46
Total 884 · DISTRIBUTION MAINTENANCE	87,456.21
Total 870 · DISTRIBUTION EXPENSES	120,195.42
900 · CUSTOMER ACCOUNTS EXPENSES	
900.1 · CUSTOMER ACCT OPERATION	
902 · Meter Reading Exp	22,641.14
903 · Customer Records & Collec Exp	59,697.92
905 · Misc Customer Accounts Exp	1,789.17
Total 900.1 · CUSTOMER ACCT OPERATION	84,128.23
Total 900 · CUSTOMER ACCOUNTS EXPENSES	84,128.23

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Kentucky Frontier Gas, LLC
Profit & Loss
 January 1 through November 13, 2009

	Jan 1 - Nov 13, 09
906 · CUSTOMER SERVICE & INFORMATION	
906.1 · C S & I OPERATION	
909 · Inform & Instruc Advert Exp	
909.1 · Web Support	1,118.40
909 · Inform & Instruc Advert Exp - Other	1,072.64
Total 909 · Inform & Instruc Advert Exp	2,191.04
910 · Misc Cust Serv & Infor Exp	4,913.75
906.1 · C S & I OPERATION - Other	16.92
Total 906.1 · C S & I OPERATION	7,121.71
Total 906 · CUSTOMER SERVICE & INFORMATION	7,121.71
918 · ADMINISTRATIVE & GENERAL EXP	
919 · ADMIN & GEN OPERATION	
920 · Admin & General Salaries	1,081.70
921 · Office Supplies and Expenses	
921.1 · Office Equipment	1,211.09
921 · Office Supplies and Expenses - Other	5,548.99
Total 921 · Office Supplies and Expenses	6,760.08
923 · Outside Services Employed	
923.1 · Outside Services - Manager	56,956.15
923.2 · Outside Services - Accounting	20,329.50
923.3 · Outside Services - Engineering	338.50
923.4 · Outside Services - Legal	15,693.06
Total 923 · Outside Services Employed	93,317.21
924 · Insurance	
924.2 · General Liability Insurance	6,854.00
924.3 · Life Insurance	1,200.15
924.5 · Worker's Compensation	1,435.09
Total 924 · Insurance	9,489.24
930.2 · Miscellaneous General Expenses	
930.21 · Bank Service Charges	1,861.70
930.22 · Cleaning/Janitorial	436.29
930.235 · Drug Testing	600.00
930.24 · Dues and Subscriptions	898.09
930.25 · Licenses & Permits	1,379.46
930.26 · Payroll Administration Expenses	1,187.91
930.27 · Postage and Delivery	7,591.41
930.28 · Printing and Reproduction	105.02
930.29 · Reimbursed Expenses	
Airline	1,634.69
Cell Phone	224.51
Emp share of FICA	1,549.12
Insurance	375.00
Lodging	7,145.22
Meals	1,612.65
Mileage	4,943.67
Parking/Gas	217.74
Postage	594.10
Rental Car	702.12
Supplies	194.56
930.29 · Reimbursed Expenses - Other	869.26
Total 930.29 · Reimbursed Expenses	20,062.64
930.30 · Telephone and Fax	6,362.73
930.31 · Training	1,206.64
930.32 · Utilities	2,587.67
Total 930.2 · Miscellaneous General Expenses	44,279.56
931 · Rents	4,500.00
Total 919 · ADMIN & GEN OPERATION	159,427.79

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Kentucky Frontier Gas, LLC
Profit & Loss
January 1 through November 13, 2009

	Jan 1 - Nov 13, 09
Total 918 · ADMINISTRATIVE & GENERAL EXP	159,427.79
932 · MAINTENANCE OF GENERAL PLANT	
932.1 · Repairs	
Building Repairs	1,168.98
Equipment Repairs	
Transportation Equipment	
Vehicle 101	793.90
Vehicle 102	885.40
Vehicle 201	776.48
Vehicle 202	941.90
Transportation Equipment - Other	1,575.17
Total Transportation Equipment	4,972.85
Equipment Repairs - Other	4,201.30
Total Equipment Repairs	9,174.15
932.1 · Repairs - Other	150.00
Total 932.1 · Repairs	10,493.13
932.2 · Depreciation Expense	32.02
932.3 · Tools & Equipment	7,121.40
932.4 · Transportaion Equipment Fuel	
Vehicle 101	1,429.51
Vehicle 102	1,690.53
Vehicle 201	105.01
Vehicle 202	563.37
932.4 · Transportaion Equipment Fuel - Other	9,081.88
Total 932.4 · Transportaion Equipment Fuel	12,870.30
Total 932 · MAINTENANCE OF GENERAL PLANT	30,516.85
Total Expense	473,520.97
Net Income	171,478.42

ADOPTION NOTICE

The undersigned Kentucky Frontier Gas, LLC _____
(Name of Utility) System

of 4891 Independence St., Wheat Ridge, CO 80033 hereby adopts, ratifies, and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and regulations for furnishing
_natural gas _____ service at ___Auxier Road Gas Company___
(Nature of Service)

in the Commonwealth of Kentucky, filed with the Public Service Commission of Kentucky by Auxier Road Gas Company

and in effect on the _1st_ day of ___December_____, 2009___, the date on which the public service business of the said Auxier Road Gas Company was taken over by it.

This notice is issued on the 12th_ day of _____November_, 2009___, in conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing of Tariffs of Public Utilities with the Public Service Commission of Kentucky.

By _____Chairman_____ Robert Oxford
Robert Oxford
by JWA

Authorized by Ky.P.S.C. Order No. ___